

CITY OF ATKA BULK FUEL FACILITY



MONITORING PLAN AND RECOMMENDATIONS

Prepared for:
THE ALASKA ENERGY AUTHORITY (AEA)

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Prepared by:

AURORA CONSULTING
880 H Street, Suite 105
Anchorage, AK 99501
Ph. (907) 245-9245
Fax (907) 245-9244
EMAIL: us@auroraconsulting.org



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OVERVIEW

This Monitoring Plan and Recommendations was completed under contract to the Alaska Energy Authority as a follow-up to a Bulk Fuel Upgrade project in Atka, Alaska that constructed a new bulk fuel storage facility with six single-product storage tanks, two dual-product storage tanks, two multi-product dispensing tanks, diesel and gasoline dispensers, and distribution pipelines. A component of the upgrade project was the development of a Business Operating Plan, which provided a guideline for the City of Atka's maintenance and operation and sustainability of the Bulk Fuel Upgrade (the "Facility"). The City of Atka, (the "Primary Operator") is responsible to operate and sustain the newly installed Facility according to the criteria and guidelines outlined in the Business Operating Plan.

Facility Participant

The Facility participants are:

City of Atka - utilizes its facility assets to operate its utilities and lease facility assets.

Primary Contact Name: *Julie Dirks, City Administrator*

Phone: (907) 581-6226 Fax: (907) 581-6317

Address: P.O. Box 765, Dutch Harbor, AK 99685

Native Village of Atka - utilizes facility assets to retail fuel.

Primary Contact Name: *Mark Snigaroff, President*

Phone: (907) 839-2229 Fax: (907) 839-2269

Address: P.O. Box 47030, Atka, AK 99547

Andreanof Electric Corporation - utilizes facility assets for operations.

Primary Contact Name: *Leonty Lokanin, President*

Phone: (907) 581-6226 Fax: (907) 581-6317

Address: P.O. Box 47076, Atka, AK 99547

Atka Pride Seafoods - utilizes facility assets to retail fuel to fishers.

Primary Contact Name: *Rob Smith, Controller*

Phone: (907) 839-2221

Address: APICDA; P.O. Box 208, Unalaska, AK 99685

Atka Fishermen's Association - utilizes facility assets for operations.

Primary Contact Name: *George Dirks*

Phone: (907) 839-2249 Fax: (907) 839-2234

Address: P.O. Box 47037, Atka, AK 99547

Aleutian Region School District - utilizes its assets to operate its physical plant.

Primary Contact Names: *Joseph B. Beckford, Superintendent*

Phone: (907) 277-2648 Fax: (907) 277-2649

Address: P.O. Box 92230, Anchorage, AK 99509

Facility Components & Capacity

The following table provides a summary of the tankage, by type of fuel that was included in the Facility upgrade:

Storage/Dispensing Capacity	Number	Gallons Per Tank (Gross)	Total Gallons (Gross)	Gallons Per Tank (Net)	Total Gallons (Net)
City (includes Atka Fisherman's Association)					
Diesel					
Primary Storage	1+	7,000	7,000	6,300	6,300
Gasoline					
Primary Storage	1+	13,000	13,000	11,700	11,700
Total City	2		20,000		18,000
Council					
Diesel					
Primary Storage	2	20,000	40,000	18,000	36,000
Primary Storage	1+	10,000	10,000	9,000	9,000
Gasoline					
Dispensing	1+	10,000	10,000	9,000	9,000
Total Council	4		60,000		54,000
Atka Pride					
Diesel					
Primary Storage	2	20,000	40,000	18,000	36,000
Primary Storage	2+	10,000	20,000	9,000	18,000
Total Atka Pride	4		60,000		54,000
Electric Utility					
Diesel					
Primary Storage	2	20,000	40,000	18,000	36,000
Total Electric Utility	2		40,000		36,000
Aleutian Region School District					
Diesel					
Primary Storage	1+	15,000	15,000	13,500	13,500
Gasoline					
Fleet Dispensing	1+	5,000	5,000	4,500	4,500
Total School District	1		20,000		18,000
Total Storage/Dispensing	14		200,000		180,000
Pipeline Components			Number		
Gasoline Dispenser			1		
Diesel Fleet Dispenser			1		
Pipeline to Transfer Pumps			6		
Pipeline to Power Plant Tank			1		
Pipelines to truck loading area			5		
Pipeline from Barge Header to Facility			2		

+ Dual Product Tank - Note that each compartment of a dual product tank is counted as a separate tank in this analysis.

Community Information

The City of Atka is located on Atka Island, 1,200 air miles southwest from Anchorage and 350 miles west of Unalaska. The site has been occupied by Unangas for at least 2,000 years. Following the attack on Unalaska by the Japanese, Atka residents were evacuated to Ketchikan and the community was burnt to the ground to prevent the Japanese from occupying the island. Following the war, the Navy rebuilt the community and residents were allowed to return. The City was incorporated in 1988.

Access to Atka is primarily via a 3,200-foot lighted and paved runway. Scheduled air services are available twice weekly from Unalaska. Chartered air services from Unalaska or Cold Bay are also available. A dock and port facility, operated by the City, is located 5 miles from town. Coastal transportation provides freight service from May to October.

The economy of Atka is based largely on subsistence living and wages earned from the halibut fishery. Atka Pride Seafoods, a small processing facility, operates seasonally to serve the local fishing fleet. Approximately, nine residents hold commercial fishing permits. Some wage opportunities exist with the school, as well as local, state and federal agencies.

Atka homes are connected to a piped water and sewer system and are plumbed. Sewage is piped to a central septic system. Garbage is collected two times per week. The City owns and operates the Water System, Sewer System, Refuse Collection Service and the Atka Health Clinic.

Selected demographic and historical data for the community is provided below:

Selected Statistics – Atka

Population (2000 Census)	
2005 (State Demographer Estimate)	90
2000	92
1990	73
1980	93
1970	88
1960	119
1950	85
Housing (2000 Data)	
Occupied Housing	32
Vacant Housing Due to Seasonal Use	4
Other Vacant Housing	9
Economic Data (1990 Data)	
Unemployment Rate	0.0%
Median Household Income	\$30,938

City of Atka

The City owns and/or operates a variety of business and service activities in the community.

CITY OF ATKA CURRENT BUSINESSES AND SERVICES	
Business or Service	Description
Peninsula Airways	Ground services, passenger coordination and mail delivery
U.S. Postal Service	Contract for post office operation
Village Health Clinic	Janitorial and maintenance, property insurance and utilities
Rentals	Lodging, heavy equipment and vehicles
Dock Services	Moorage, wharfage and water
AK Weather Operator Station	Monthly testing and cleaning of FAA weather station
Water Utility	Basic water services

The City of Atka's Mayor coordinates the community's annual purchase and delivery of fuel from the fuel supplier, Delta Western. Annually, six businesses and organizations, Aleutian Region School District, Andreanof Electric Corporation, Atka Fishermen's Association, Native Village of Atka Store, Atka Pride Seafoods, and the City of Atka, order diesel and/or gasoline fuel as a group. During the fall of 2000, 46,000-gallons of #1 diesel fuel, 64,000-gallons of #2 diesel fuel and 13,550-gallons of gasoline fuel was purchased for the community. The size of fuel orders has not changed significantly since 2000.

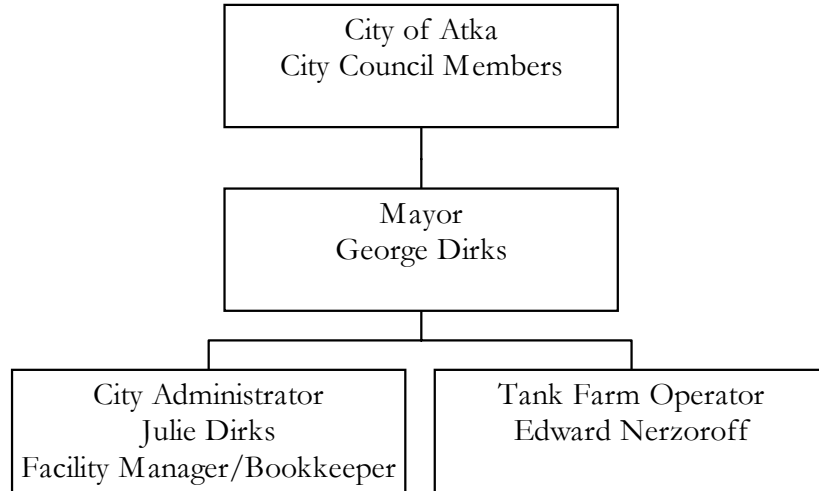
The Atka Native Store and the Atka Fishermen's Association handle the retail sale of fuel in the community. The Native Village of Atka Store sells #1 diesel fuel for heating homes and buildings in the community and sells gasoline fuel for motor vehicles. The Atka Fishermen's Association sells gasoline fuel in 55-gallon drums to members for operating motor vehicles and skiffs.

The City of Atka purchases #1 diesel fuel for heating City buildings and gasoline fuel for operating City motor vehicles. The Aleutian Region School District purchases #1 diesel fuel for heating school buildings and gasoline fuel for operating school motor vehicles. The Andreanof Electric Corporation purchases #2 diesel fuel for operating the utility's generators. Atka Pride Seafoods purchases #1 diesel fuel for heating the fish processing facility's buildings and sells #2 diesel to the 5-6 fishing boats that supply fish to the facility.

Since the Business Operating Plan, dated August 10, 2003, was finalized, there has not been any staff turnover with the management or of the City of Atka bulk fuel facility and a tank farm operator has been hired.

The following chart illustrates the management/staff relationships of the City of Atka Bulk Fuel Facility:

**CITY OF ATKA
BULK FUEL FACILITY PROJECT
STAFFING ORGANIZATIONAL CHART**



Monitoring Site Visit

The Alaska Energy Authority contracted with Aurora Consulting, of Anchorage Alaska, to develop a “*Monitoring Plan and Recommendations*”. The scope of the assignment included working with the City to obtain information on existing management and operational systems, comparing those systems to Business Operating Plan requirements and other “best practices”, making recommendations for changes and/or training, developing on-going monitoring tools, and/or working to cure any deficiencies or defaults experienced by the City.

Aurora Consulting staff worked with city administrator, Julie Dirks, during December 2006 to review business practices, compliance with the Business Operating Plan, and general City challenges and concerns.

Contacts	Title
Julie Dirks	City Administrator/Facility Manager-Bookkeeper

Monitoring Plan and Recommendations

The following Monitoring Plan and Recommendations is organized into three sections:

- Management and Operational Skills
- Business Operating Plan Compliance
- Recommendations

Management and operational skills identify those skills and practices that are crucial to the short-term viability of a bulk fuel facility, while Business Operating Plan compliance areas identify those activities that are required by the Denali Commission approved Business Operating Plan.

Management skills include administration, fiscal systems, and collections. Operational skills include the ability to perform maintenance, repair, and operation of the bulk fuel facility. Both skill sets require knowledgeable and trained managers, bookkeepers, and facility operators to manage and operate the Facility on a daily basis. In contrast, the business operating compliance section details the key activities and actions are required to be completed by the Facility in order to be in compliance with the terms and conditions of their Business Operating Plan.

Additionally, this report includes major recommendations for continued actions and training, which are detailed in the conclusion section of this report. These recommendations are limited to those actions necessary to meet the deficient management and operational skills or Business Operating Plan compliance areas.

BULK FUEL FACILITY MANAGEMENT/OPERATIONAL SKILLS

Financial Management

(1=Lowest Skill Level 5= Highest Skill Level)

1	2	3	4	5	<i>Financial Management Skill Areas</i>
<i>Annual Budget</i>					
				x	Develop and utilize budgeting process
				x	Staff understanding of budget
<i>Bookkeeping</i>					
			x		Develop and track facility costs using a Chart of Accounts
				x	Understands and tracks operation & management (O&M) costs
				x	Understands and tracks renewal & replacement (R&R) costs
<i>Collection Policy</i>					
		NA			Policy in place
		NA			Policy implemented
		NA			Collections at appropriate level
<i>Business Operating Plan</i>					
		x			Policy board has general understanding of Plan and requirements
				x	Management has general understanding of Plan and requirements
			x		Staff has general understanding of Plan and requirements
			x		Management understands financial assumptions and tables
			x		Staff understands financial assumptions and tables
				x	Management capable of annual Plan update
				x	Staff capable of annual Plan update

Comments:

Annual Budget

The City of Atka develops an annual budget for all of the City's operating programs and enterprises, including the bulk fuel facility. The bulk fuel manager/bookkeeper develops the annual budgets for the City and understands and is able to utilize the budget information.

Bookkeeping

The City of Atka has a Chart of Accounts and is using the QuickBooks Pro software package as its bookkeeping system. It is primarily the city administrator's job to manage the bank accounts, account payables, accounts receivable, and other general bookkeeping for all of the City's operations and enterprises.

The facility manager/bookkeeper fully understands the difference between the O & M and R&R costs that must be tracked by separate accounts, as indicated in the Business Operating Plan. The City has not yet established separate account codes in the Chart of Accounts for tracking R&R costs. The City has established an R&R interest-bearing account and has made a full year's deposit into the account.

Collections Policy

The City of Atka currently does not retail or wholesale fuel to other users.

Business Operating Plan

Both the facility manager/bookkeeper is able to locate and cogently discuss the general terms and conditions of the Business Operating Plan - including the financial requirements, Denali Commission reporting requirements, and the Secondary Operator Agreement. Additionally, the facility manager/bookkeeper has reviewed the Business Operating Plan with the City Council and has explained the R&R fund requirements, including its purpose and long-term objectives.

Personnel Management

(1=Lowest Skill Level 5= Highest Skill Level)

1	2	3	4	5	Personnel Management Skill Areas
<i>Job Descriptions</i>					
		x			Job descriptions current for all positions
			x		Staff aware of/understand job descriptions
<i>Staffing</i>					
				x	Staffing adequate to operate & maintain the facility
<i>Training</i>					
			x		Staff has adequate training for job requirements
			x		On-going training in place

Comments:

Job Descriptions

Specific job descriptions do not yet exist for all of the bulk fuel staff positions; however, the management/financial staff has a good understanding of their bulk fuel facility roles and responsibilities. The tank farm operator is a new employee who is generally familiar with the facility and is still learning his job responsibilities.

Staffing

It appears that the staffing level of the City of Atka bulk fuel facility is adequate to operate and maintain the Facility. However, it does appear that the facility manager/bookkeeper is the “repository” for most of the City’s working knowledge of the Business Operating Plan and its requirements, and, in the event of staff turnover in this position, staffing levels may not be as adequate.

Training

The facility manager/bookkeeper is extremely experienced and has more than adequate training for the position. The new tank farm operator is new to the position – and, as such, has not yet received specific bulk fuel training.

In more general terms, the City of Akta seems to be responsive to training opportunities and seeks out training opportunities for the staff.

Operations Management

(1=Lowest Skill Level 5= Highest Skill Level)

1	2	3	4	5	Operations Management Skill Areas
<i>General Operations</i>					
		x			Management/staff have general understanding of operation needs
		x			System to schedule tasks for routine maintenance
			x		System to schedule tasks for non-routine maintenance
<i>Inventory Control</i>					
				x	Inventory control system in place
			x		Knows what parts to keep in inventory for routine maintenance
<i>Emergency/ Spill Response</i>					
		x			Staff can explain/locate oil spill response plan
	x				Written safety policy

Comments:

General Operations

The operating staff has recently experienced turnover, and as such, the operations staff person is just beginning to familiarize himself with the facility and his duties.

Additionally, the facility does not yet have established maintenance schedules; however, the facility manager indicated that the development of O&M maintenance schedules is “on the to-do list”.

Currently, the City intends to utilize the R&R maintenance schedule contained within the Business Operating Plan as its non-routine maintenance guideline.

Inventory Control

Currently, minimal supplies are kept specifically for the Facility. This is in part due to the small scale of the Facility, the newness of the Facility, and the design of the Facility - all of which limit the range and quantity of required parts. The facility management is currently reviewing the efficacy of maintaining specific inventory of facility components.

As the primary operator, the City has developed a fuel inventory control system for tracking each participant’s fuel inventory and consumption. Physical inventories are taken every six months and the facility manager/bookkeeper reconciles each participants inventories.

Emergency/ Spill Response

The City of Atka has its Emergency/Spill Response plans in the City office in Atka. No written safety policy exists – but, it also “is on the to-do list”.

BUSINESS OPERATING PLAN COMPLIANCE

Financial Management

Yes	No	NA	<i>Financial Management Compliance Areas</i>
<i>O&M Account</i>			
x			Accounting established
x			Regular deposits into account
x			Systems in place for \$5,000 authorizations
<i>R&R Account</i>			
x			Accounting established
x			Regular deposits into account
x			Interest-bearing savings account
x			Resolutions required
x			2 signatures required
		x	Escrow account established
		x	Resolutions required
		x	2 signatures required
<i>Budgets</i>			
x			O&M budget
x			Prior to fiscal year
x			R&R budget
x			Prior to fiscal year
<i>Business Plan Updates</i>			
x			Review assumptions
x			Update tables
<i>Audits</i>			
x			Annual financial review conducted by qualified, independent auditor
		x	Copy to Denali Commission
<i>Annual Report</i>			
		x	Submitted to Denali Commission timely
		x	Summary of O&M and R&R Projects
		x	Expenditures and account balances
		x	Upcoming O&M and R&R budgets
		x	Updated business plan financial tables
		x	Other information
<i>Insurance</i>			
x			General liability insurance in place
x			Other insurance in place

Comments:

O&M Account

The City has an established operating bank account at Wells Fargo into which the bulk fuel operating funds are deposited. Currently, all bulk fuel facility expenses over \$5,000, or not authorized in the budget, must be approved by the City Council. The City collects O&M payments from each of the participants quarterly.

R&R Account

The City has an established interest-bearing savings account with the Alaska Municipal League, which currently is used for R&R deposits. This is not a discrete bulk fuel account; therefore the City plans to open an additional account solely for bulk fuel R&R funds prior to the end of the fiscal year. The City collects R&R payments from each of the participants quarterly.

Budgets

The bulk fuel facility currently has six participating partners with the City of Atka as the Primary Operator. Currently, the facility manager/bookkeeper prepares an annual budget, which is reviewed and approved at an annual meeting of the partners. Each of the partners remits quarterly payments to the facility manager/bookkeeper who reports on expenditures and fund balances at the year end.

Business Plan Updates

The City is preparing new O&M budgets annually and is relying upon the R&R schedules provided in the Business Operating Plan for its R&R budgets.

Audit

The City of Atka has an annual financial review, but has not yet submitted copies to the Denali Commission.

Annual Report

The City of Atka plans to submit an annual report to the Denali Commission at the end of this fiscal year of operations. Therefore, it anticipates submitting its first annual report to the Denali Commission in July 2007.

Insurance

Currently, the City participates in the AML/JIA insurance program and has general liability, workers compensation, and some property/inventory coverage for the Facility.

Personnel Management

Yes	No	NA	<i>Personnel Management Compliance Areas</i>
<i>Facility Manager</i>			
x			Manager designated
		x	Changes reported to Denali Commission
<i>Staffing Adequate</i>			
x			Staffing adequate
<i>Training Plan</i>			
	x		Training plan in place

Comments:

Facility Manager

Julie Dirks is the manager of the Facility – which is a change from the Business Operating Plan. The City plans to report this change to the Denali Commission in their upcoming Annual Report.

Staffing Adequate

The current level of staff appears to be sufficient.

Training Plan

The facility manager is cognizant of the need for updated employee training and intends to seek out operator training opportunities for the new tank farm operator.

Operations Management

Yes	No	NA	Operations Management Compliance Areas
<i>Facility Components in Good Working Order</i>			
x			Facility components in good working order
<i>SPCC</i>			
x			SPCC on-hand
x			SPCC current
<i>Facility Response Plan</i>			
x			Plan on-hand
x			Plan current
<i>Coast Guard Operations Manual</i>			
x			Manual on-hand
x			Manual current

Comments:

Facility Components in Good Working Order

According to the facility manager/bookkeeper the bulk fuel facility is in good operating condition and is not experiencing any problems.

SPCC/Facility Response Plan/ Coast Guard Operations Manual

The City of Atka keeps its Facility's regulatory plans and Operations Manual at the City office in Atka.

RECOMMENDATIONS

The facility manager/bookkeeper appears to be genuinely interested in fully understanding and implementing the Business Operating Plan, and has made herself available to answer questions and review the Business Operating Plan and facility operations. The facility manager/bookkeeper expressed interest in fully complying with terms and conditions of the Business Operating Plan and managing the Facility in a sustainable manner. As indicated previously, the Atka bulk fuel facility is very well managed, operated, and maintained; its management/financial staff is very experienced and well trained and committed to be in compliance with the Business Operating Plan. As such, we have very few recommendations regarding systems, procedures, or operations.

Again, it does appear that the facility manager/bookkeeper is the “repository” for most of the City’s working knowledge of the Business Operating Plan and its requirements, and, in the event of staff turnover in this position, staffing levels may not be as adequate.

The following outlines the systems and procedures that should be addressed by the City, areas that technical assistance/training may be warranted, and operational areas requiring follow-up:

Systems and Procedures	ASAP	Within year	Long Term
Develop procedures for completing & submitting annual reports		x	
Open discrete bulk fuel R&R account	x		
Develop a written staff training plan		x	
Training			
Operator bulk fuel training	x		
Operations			
Develop system to schedule tasks for routine maintenance		x	
Develop system to schedule tasks for non-routine maintenance			x
Improve understanding of what parts inventory to keep		x	
Ensure operational employees understand actions to take in the event of a spill		x	
Develop written safety plan		x	